

## FY 2007 A-123 Implementation

### Upcoming Key Deliverables and Assurance Guidance

Below are the remaining key deliverables for the Department's FY 2007 A-123 evaluation. Also described below is guidance on the preliminary and year-end assurances.

- **July 15, 2007 / July 30, 2007 – 3<sup>rd</sup> Quarterly Reporting Submissions** due from Field Offices and Lead Program Secretarial Offices/Corporate Departments, respectively. **Note:** We are changing the Quarterly Reporting requirements, effective as of the 3Q07 submission. Specifically, you only need to submit the A-123 Assessment and Reporting Tool (AART) for your reporting entity; Field Offices should also submit AARTs for any site contractors under their cognizance. We are no longer requiring submission of Implementation Plans, Quarterly Reports, and signed transmittal memos. In lieu of submitting these items, however, you will need to self-report to the A-123 Project Management Team (on a quarterly basis, or in real time as necessary) any challenges or barriers that you may be encountering in your A-123 implementation.

There has been no change in the final year-end reporting requirements. (Year-end reporting requirements can be found in Section H of the *Reporting and Assurance Prep Quick Start Guide*).

- **July 31, 2007 – Completion of Testing.** The July 31 due date is a Department-wide cut-off established to allow sufficient time for teams to wrap up the evaluations, populate the AART with the evaluation results, develop corrective actions plans (if necessary), and develop preliminary assurance reports. Please note that you are not required to submit your AART on this date.
- **August 15, 2007 – Preliminary Assurances** due from Field Offices, Lead Program Secretarial Offices and Corporate Departments.

### Field Office Preliminary Assurance

Field Offices should follow the instructions in Sections D through G of the *Reporting and Assurance Prep Quick Start Guide* to run the Assurance tool in the AART. (See "**Key Changes in FY 2007 Assurance Reporting**" and "**Consideration of Special Circumstances**," below, for additional information.) However, prior to completing the sections of the Quick Start Guide, Field Offices (and their site contractors) will need to have:

- Run the patch to upgrade to version 4.1 of the AART. Not running the patch will affect preliminary and year-end assurance reporting. (The

patch and related instructions were distributed by the A-123 Project Management Team via e-mail on April 2, 2007.)

- Converted FY 2006 activities previously rated in the AART as "2-Initial Remediation" to one of the new Control Design Effectiveness ratings.

The preliminary assurance should indicate whether you have:

- Identified or anticipate having any internal control deficiencies that would rise to the level of a Material Weakness by the time of the final assurance (include a title for the Material Weakness, a brief description of the internal control deficiencies, the material accounts potentially impacted, and the range of dollar impact, if possible);
- Identified or anticipate having any internal control deficiencies that would rise to the level of a Reportable Condition by the time of the final assurance; or,
- Identified or anticipate having any other issues related to internal control that could potentially impact your final assurance.

Preliminary assurances should be concurred on by the head of your organization prior to submission to the A-123 Project Management Team. The preliminary assurance should be sent to Brian Boos at [Brian.Boos@hq.doe.gov](mailto:Brian.Boos@hq.doe.gov).

#### LPSO/CD Preliminary Assurances

Lead Program Secretarial Offices and Corporate Departments should make a judgmental determination of whether any deficiencies identified in the AART, either individually or collectively, rise to the level of a Material Weakness or a Reportable Condition for reporting purposes. **(See "Key Changes in FY 2007 Assurance Reporting" and "Consideration of Special Circumstances," below, for additional information.)**

Although Lead Program Secretarial Offices and Corporate Departments are not required to use the Assurance tool in the AART, it is important that the upgrade patch to version 4.1 of the AART be run by this point in time. (The patch and related instructions were distributed by the A-123 Project Management Team via e-mail on April 2, 2007.) Additionally, Lead Program Secretarial Offices and Corporate Departments should have converted any FY 2006 activities previously rated in the AART as "2-Initial Remediation" to one of the new Control Design Effectiveness ratings.

The preliminary assurance should indicate whether you have:

- Identified or anticipate having any internal control deficiencies that would rise to the level of a Material Weakness by the time of the final assurance (include a title for the Material Weakness, a brief description of the internal control deficiencies, the material accounts potentially impacted, and the range of dollar impact, if possible);
- Identified or anticipate having any internal control deficiencies that would rise to the level of a Reportable Condition by the time of the final assurance; or,
- Identified or anticipate having any other issues related to internal control that could potentially impact your final assurance.

Preliminary assurances should be concurred on by the head of your organization prior to submission to the A-123 Project Management Team. The preliminary assurance should be sent to Brian Boos at [Brian.Boos@hq.doe.gov](mailto:Brian.Boos@hq.doe.gov).

- **September 1, 2007 / September 15, 2007 – Final Assurances** due from Field Offices and Lead Program Secretarial Offices/Corporate Departments, respectively. Field Office and LPSO/CD Reporting Templates are being provided for purposes of FY 2007 final assurance reporting. If any significant changes have occurred in your assessment of controls since the preliminary assurance, you will need to follow the appropriate Field Office or Lead Program Secretarial Office/Corporate Department instructions specified above (for preliminary assurance reporting) in order to obtain a new assurance. You should submit the year-end reporting package in accordance with Section H of the *Reporting and Assurance Prep* Quick Start Guide. (See "**Key Changes in FY 2007 Assurance Reporting**" and "**Consideration of Special Circumstances**," below, for additional information.)

#### Key Changes in FY 2007 Assurance Reporting

Although the *Reporting and Assurance Prep* Quick Start Guide has not yet been updated, two changes have been made to this year's assurance process:

- The Assurance Local tab in the AART extracts process ratings of "5-Control Deficiency." These process ratings should be carefully considered, since a control deficiency may be insignificant individually but could indicate a larger problem (i.e., a "4-Reportable Condition" or even a "3-Material Weakness") if there are numerous control deficiencies within a particular process.

- The Assurance Rollup tab in the AART includes a "check-the-box" certification regarding management's awareness of significant changes to financial systems, processes or other changes to previously evaluated and/or tested risk activities.

Two changes have also been made to this year's reporting templates:

- The Reporting templates include an acknowledgment by management that its evaluation considered entity controls and the results of previous tests of controls.
- The Reporting templates include a description of Reportable Conditions identified as part of the A-123 assessment.

#### Consideration of Special Circumstances

The following provides direction on how to treat other potential issues that sites may have questions about:

- Deficiencies identified during the evaluation of items not in the FY 2007 assessment scope (e.g., for Field Offices, control deficiencies identified in the evaluation of low risk activities). You must consider all known deficiencies, regardless of whether the A-123 evaluation that identified them was required in the current fiscal year.
- Deficiencies identified by outside parties (e.g. auditors or other external reviewers). You must consider all known deficiencies, regardless of whether they were identified through the A-123 process. If a deficiency is noted by external parties, and it could result in a material weakness at the local level, then it should be considered. Any issue determined to be a material weakness should be reported.